

HOT

TOPICS

SPRING 2002

CURRENT ISSUES FOR ARMY LEADERS



After the Army

**Reserve-component
and active-duty
retired pay formulas**

Survivor benefits

Thrift Savings Plan

Military retirement should be a time of pleasure. Rather than an end, it is a threshold to new dreams and relationships. It is a time to feel proud of one's service to America.

Many soldiers spend more time in retirement than they do in uniform. The earlier soldiers prepare for the shift into civilian life, the easier it will be. In fact, soldiers who begin reviewing their retirement options midway through their careers usually have the smoothest transitions, since they've already formed positive ideas about life after the Army.

Military retirement offers many perks beyond the use of post exchanges and commissaries, such as retirement pay, health care, space-available travel and special benefits offered by the Department of Veterans Affairs. Soldiers' recent eligibility to invest pretax dollars in the Thrift Savings Plan also enhances retirement by helping individuals save for the future.

Families play a large role in soldiers' careers. Leaders should encourage sensitivity to family needs and urge soldiers to include spouses and children when making retirement choices. Many of the decisions soldiers make will greatly affect their loved ones in years to come – especially when it comes to the Survivor Benefit Plan.

Retirement signals excitement and new independence. But it can be a daunting change, since soldiers are more accustomed to moving to new jobs and new locations rather than settling down. This issue of **Hot Topics** details the basics of retirement. Let it be your invitation to visit or call Retirement Services Offices located on installations throughout the Army. RSOs can usher you and your soldiers toward the happy, successful retirement you've worked hard for – and deserve.

LTG Timothy J. Maude

LTG Timothy J. Maude
Former Deputy Chief of Staff for Personnel



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Special Products Editor BETH REECE

Creative Production IMAGE MEDIA SERVICES, INC.,
McLean, Va.

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LAURA C. PAUL
MAX BEILKE
Army Retirement Services,
Office of the Deputy Chief of
Staff for Personnel,
Alexandria, Va.

SOLDIERS PRODUCTION STAFF

Credits



Paul Disney

In Memoriam

Gary F. Smith, chief of Army Retirement Services, and Max Beilke, his deputy chief, were always looking for ways to make retirement a smooth and positive experience. Retirees themselves, Smith and Beilke traveled worldwide to speak at Retiree Appreciation Days and family seminars.

On Sept. 11, Smith and Beilke met with Deputy Chief of Staff for Personnel LTG Timothy J. Maude to discuss a special program that would improve military retirement. The three men died together that morning when terrorists crashed a passenger jet into the Pentagon's west side.

This issue of Hot Topics is dedicated to their memory.



Taking the First Step

RETIREMENT is about choices. Deciding where to settle down, which health care package to take and how much money you need for a comfortable lifestyle is just the beginning. Most soldiers spend only a few months or less making these decisions, but the results of their choices are often permanent.

Army RSOs provide personalized information on everything from retired pay formulas to veterans' benefits. In addition to preretirement briefings, RSOs help soldiers set timelines and link up with such services as the Army Career and Alumni Program.

Among factors that complicate retirement are the misconceptions soldiers sometimes have about benefits, said Gary F. Smith, former chief of Army Retirement Services in the Office of the Deputy Chief of Staff for Personnel in Alexandria, Va. Many soldiers are unsure which retired-pay plan they are covered by, and the new Career Status Bonus (CSB/REDUX) option gives soldiers yet another choice to make.

Those who began service after

July 31, 1986, may select either the High-Three or CSB/REDUX option upon 15 years of service. The first soldiers eligible for the \$30,000 career-status bonus are currently reaching the 15-year mark, but many of them have not considered the pros and cons of the CSB/REDUX option.

Choices about such options need time and careful thought, Smith said, describing the career-status bonus as smart for someone who will invest the \$30,000 wisely. "It would not be smart for someone who will use the bonus to run out and buy a car."

Misunderstandings about health care are also common. "One of the reasons people join the military is because they think they'll have free medical care for the rest of their lives," Smith said. "But retirees are living longer now and the military has downsized."

To take or decline the Survivor Benefit Plan is perhaps soldiers' toughest retirement decision.

"Initially, it looks like a lot of money going into something you

don't automatically see the value of," Smith said. "And some soldiers think they'll be better off investing the money elsewhere, but they don't, leaving survivors without income protection when the soldier dies."

An Army retiree himself, Smith recommended that soldiers take their children's needs into account when choosing whether to move or to stay in the same location as their final duty station.

"Moving around is often harder for kids than it is for adults. They have to say goodbye to friendships just like we do." And since many retirement benefits continue for family members after the retiree departs by death or divorce, soldiers should give their loved ones an active role in retirement planning.

A proactive attitude is Smith's advice for a smooth retirement. "Don't be afraid of retirement. It's natural to be anxious," he said. "But go into it with a positive attitude and be proud of yourself. That will make the experience so much more pleasurable."

Which Pay Formula Do You Use?

ACTIVE-duty soldiers with 20 years of service may request retirement through their unit personnel offices. There are three retired-pay formulas. The formula a soldier uses is determined by his or her DIEMS, or Date Initially Entered Military Service. The DIEMS is the earliest date of enlistment, induction or appointment in a regular or reserve component. The DIEMS is not used in the retired-pay formula; it only determines which formula will be used.

Sometimes a soldier's DIEMS differs from the basic pay entry date and the date when the soldier officially began earning military pay and accruing service time toward retirement. Situations include:

- ❖ Academy graduates — The DIEMS is the date the soldier entered the academy, or the date the soldier entered Reserve or active duty prior to attending the academy.
- ❖ ROTC — The DIEMS is the date the soldier began an ROTC scholarship program, or the date the soldier enlisted as a Reservist (whichever is earlier), or the date the soldier entered Reserve or active duty prior to ROTC.
- ❖ Break in service — The DIEMS is the date the soldier initially became a member of any branch or component of the military, even if the soldier had a break in service.
- ❖ Delayed Entry Program — The DIEMS is the date the soldier signed up for the DEP, not the date the soldier began active-duty service.

The DIEMS date is listed on soldiers' Leave and Earnings Statements, along with instructions for correcting it. Those with unusual circumstances or who are unsure of their DIEMS should contact their personnel offices.

All three retired-pay formulas give a percentage of basic pay, excluding housing and subsistence allowances and federal tax advantages. Soldiers with DIEMS before Sept. 8, 1980, receive a percentage of their final basic pay. Those with DIEMS on or after Sept. 8, 1980, receive a percentage of the average of their highest 36 months of basic pay, referred to as the High-Three formula. Soldiers with DIEMS after July 31, 1986, may choose between the High-Three and Career Status Bonus (CSB/REDUX) formulas. Each formula begins with the number of years of creditable service.



Active-Duty Retired-Pay Formulas

DIEMS before Sept. 8, 1980 —

Multiply the number of years and months of creditable service by 2.5 percent. Multiply the result by the final basic pay in effect on the date retired pay starts. Soldiers under this formula should be careful not to retire just before an increase in their basic pay, such as those applied at the 20-, 22-, 24- or 26-year marks.

DIEMS on or after Sept. 8, 1980, but before Aug. 1, 1986 —

Multiply the number of years and months of creditable service by 2.5 percent. Multiply the result by the highest 36 months of basic pay.

Commissioned officers who were formerly enlisted must serve 10 years as commissioned or warrant officers to retire as commissioned officers.

Commissioned officers with less than 10 years commissioned service who retire as enlisted members with more than 20 years but less than 30 years cannot use officer basic pay in the computation of the average of their highest 36 months of basic pay. They will use the current enlisted basic pay rate for their final enlisted rank for the 36 months before retirement.

For example, a captain (formerly an E-7) with eight years of commissioned service retires as an E-7 on July 1, 2001, with 20 years of active service. The highest 36 months of basic pay would be based on one month as an E-7 with over 20 years (from June 1-30), 24 months as an E-7 with over 18 years (from June 1, 1999, through

May 31, 2001) and 11 months as an E-7 with over 16 years (from June 1, 1998, through May 31, 1999).

Officers who retire with 10 or more years of commissioned service but without serving their time-in-grade requirements will retire at the next lower grade. (Officer require-



ments are outlined in Army Regulation 600-8-24, Chapter 6, "Officer Transfers and Discharges." Enlisted requirements are outlined in AR 635-200, Chapter 12, "Enlisted Personnel." Both regulations can be found at www.usapa.army.mil.) However, their months of basic pay at the higher grade will be included in the average of the highest 36 months of basic pay.

For example, a soldier who was promoted to lieutenant colonel on July 1, 2000, retires on July 1, 2001, after serving only 12 months of a 36-month time-in-grade requirement. Although the soldier

would retire as a major, the average of the highest 36 months of basic pay would be computed on 12 months of lieutenant colonel basic pay and 24 months of major pay.

DIEMS after July 31, 1986 —

Soldiers may choose between the High-Three and CSB/REDUX formulas upon 15 years of service. A notice will appear on qualifying soldiers' Leave and Earnings Statements alerting them that they must choose a formula. The choice cannot be changed once made.

Soldiers choosing the CSB/REDUX option receive a \$30,000 career-status bonus during their 15th year of service and agree to serve five more years. Retired pay then equals the number of years of creditable service multiplied by 2.5 percent, minus 1 percent for each year of service under 30, multiplied by the average of the soldier's highest 36 months of basic pay. At age 62, retired pay will be recomputed under the High-Three formula, but will not be retroactive. Under CSB/REDUX, the longer one stays on active duty, the closer the percentage multiplier is to what it would have been under the High-Three formula, up to the 30-year point at which the percentage multipliers are equal.

The \$30,000 career-status bonus is subject to federal and state taxes. According to the Internal Revenue Service's elective deferral limit, citizens may shelter up to \$11,000 in tax-free savings programs such as the Thrift Savings Plan in 2002.



Cost-of-Living Adjustment

SOLDIERS using the Final Basic Pay and High-Three formulas receive an annual cost-of-living adjustment equal to the annual change in the Consumer Price Index.

COLA under the CSB/REDUX option equals the CPI minus 1 percent until the retiree turns 62. At 62, the retiree receives a one-time catch-up COLA, then reverts to the CPI minus 1 percent.

Transition Leave

THE decision to take transition leave rather than retiring early and cashing in leave is often confusing. Generally, it is better to cash in the first 60 days of leave rather than use it as transition leave, since the soldier receives more money this way.

Soldiers cannot “sell back” more than 60 days of leave per career. They may, however, combine both options by cashing in leave and taking transition leave. Leave accrued after Aug. 31, 1976, may be cashed in for basic pay only. Leave accrued before Aug. 31, 1976, may be cashed in for basic pay and allowances for housing and subsistence. July and December Leave and Earnings Statements indicate the number of leave days soldiers have predating Aug. 31, 1976.



SURVIVOR BENEFIT PLAN

RETIRED pay stops with the death of the retired soldier. The Survivor Benefit Plan provides income protection for survivors of retirees by assuring them a monthly annuity.

While deciding whether to elect SBP, families should consider their spending habits, investments and the likelihood that surviving family members will have enough income upon the retiree's death. For example, the family that depends wholly or partly on retired pay will probably need continued retired pay after the retiree's death. Ages and health conditions should also be considered.

Full SBP coverage automatically takes effect upon retirement for spouse and children if no other election is made. While coverage can be terminated between the second and third year of retirement with the spouse's concurrence, there is no opportunity to enroll unless Congress declares an open season, of which there have been only four in the 29-year history of SBP.

What is SBP and why was it created?

Created by Congress in 1972, the Uniformed Services Survivor Benefit Plan (SBP) is the sole means by which survivors of military retirees may receive a portion of military retired pay. Although not intended to protect a retiree's total estate, it guarantees that a surviving spouse will receive at least 55 percent of military retired pay through an inflation-adjusted monthly annuity.

The monthly annuity equals 55 percent of the base amount until age 62, and 35 percent after age 62 for surviving spouses. The base amount is the dollar amount of retired pay the soldier selects to base the plan on, and can be any amount between \$300 and full retired pay per month.

Is SBP connected to Social Security?

Yes. The government meets its obligation to survivors by contributing to its employees' Social Security benefits. Those benefits are the foundation upon which SBP was built, since SBP provides a benefit when Social Security is not payable, and a supplement to Social Security when it is, with a goal of always providing a 55 percent annuity.

What is SBP's greatest advantage?

SBP's primary advantage is that it is COLA-adjusted, which helps keep the purchasing power of the SBP annuity in step with tomorrow's dollar value. No known private company has guaranteed to match SBP benefits at equal cost or less.

Who can be a beneficiary in SBP?

Election categories are:

Spouse — The spouse to whom the retiree is married upon death. If a soldier marries after retirement, the marriage must last at least one year or the soldier must have a child born by that spouse. Benefits are paid until the spouse dies, but stop upon remarriage before age 55 with resumption permitted if the second marriage ends.

Spouse and children — The spouse is the primary beneficiary, with eligible children (under age 18; over age 18 but under 22 and still in school fulltime; or suffering a mental or physical incapacity incurred while still eligible as previously defined) receiving the annuity only if the spouse dies or remarries before age 55. The 55-percent annuity is divided equally among eligible children.

Children only — Eligible children are the primary beneficiaries. If the retiree dies while a child is eligible, the 55 percent annuity continues until the child exceeds the age of eligibility. Eligible children include adopted children, stepchildren, foster children and recognized natural children who live with the retiree in a regular parent-child relationship. Child coverage offers excellent protection for incapacitated children, since the 55 percent annuity is payable to them for life. The mental or physical incapacity must have been incurred while in the age-eligibility range.

Former spouse — This option may be elected voluntarily or may be required by a divorce agreement. Former-spouse costs and benefits are identical to those for spouses. The same remarriage limitations apply to both former spouses and spouses.

Former spouse and children — Identical to the spouse and children option, except only children of the marriage to the former spouse are eligible beneficiaries.

Natural person with an insurable interest — This option may be selected if a retiree is unmarried with no children or is unmarried with one child who exceeds age and dependency requirements. The “natural person” must be someone with a financial interest in the retiree’s life, such as a close relative or business partner.

What are the costs of SBP?

Active-duty, retirement-eligible soldiers are automatically enrolled in SBP at no cost until the date of their retirements, at which time the cost is tax-free and shared (government-subsidized).

The cost for a spouse or former spouse is 6.5 percent of the base amount the soldier chooses between

\$300 and full retired pay per month.

The cost for beneficiary children is based on the ages of the soldier, the spouse and the youngest child. Retirement Services Offices can provide more details on SBP costs.

SBP deductions from retired pay continue as long as there is an eligible beneficiary. Spouse costs are suspended if a spouse is lost to death or divorce. Child costs cease when the youngest child is ineligible.

Can an election be changed?

Elections are generally permanent and irrevocable. If a retiree remarries after the original spouse’s death, SBP coverage automatically resumes at the first anniversary unless a written request to decline resumption is made by the retiree before that date.

SBP elections are made by category, so the choice a soldier makes for eligible beneficiaries at retirement applies to all future beneficiaries. For example, married soldiers who decline coverage for their spouses at retirement and subsequently remarry may not enroll new spouses.

Likewise, soldiers who decline coverage for eligible children may never cover future children. A single soldier must enroll newly gained beneficiaries within one year of the event.

Does a spouse have to agree with the decision?

Yes, in the following three elections: coverage less than full retired pay; cover children only; or decline coverage. In these cases, the spouse’s written concurrence must be provided prior to retirement or the election is full automatic coverage. This is based on the right of expectancy that exists for spouses of active-duty members who remain on active duty after the 20th year.



Health Care

Retirement Physical

SOLDIERS should take a retirement physical no more than four months and no less than one month before retirement or the start of transition leave.

Since medical and dental records may be difficult to obtain after leaving active duty, soldiers should make personal copies of them before retiring.

Retirees and their family members are eligible for health care on a space-available basis in military treatment facilities.

TRICARE

TRICARE for Life entitles retirees and their family members to maintain TRICARE eligibility when they reach age 65 and become eligible for Medicare.

Enrollment is not necessary for TRICARE Standard or TRICARE Extra. Under TRICARE Standard, members may use any provider and make a co-payment of 25 percent of the allowable charges. Under TRICARE Extra, members may choose a provider from a special network and pay a co-pay of 20 percent. Retirees should contact their local TRICARE Service Centers and Health Benefits Advisors for information on space-available care and cost shares. They may also visit www.tricare.osd.mil.

Gulf War Vets

PERSIAN Gulf War veterans are eligible for a medical evaluation through Department of Defense's Comprehensive Clinical Evaluation Program. For an appointment call (800) 796-9699, (408) 583-2500 or (DSN) 878-3261. The Department of Veterans Affairs Persian Gulf Registry also offers medical evaluations to Gulf War veterans. Call (800) 749-8387.

Dental Care

THE Delta Dental Plan offers a dental program for retirees, eligible family members and certain unmarried surviving spouses living throughout the U.S., Puerto Rico, Canada, the U.S. Virgin Islands, Guam, American Samoa and the Northern Mariana Islands. Enrollment in TRICARE Prime is not a requirement to join this voluntary dental plan, called the TRICARE Retiree Dental Program.

Initial enrollment is for a minimum of 24 months. Upon enrollment, enrollees must submit four months' worth of premiums. Afterward, enrollees may choose to stay enrolled on a month-to-month basis. Monthly premiums vary by location. In the year 2000, premiums ranged from \$20 to \$34 for a single person, \$32 to \$64 for two people, and \$62 to \$105 for a family.

After an annual deductible of \$50 is met for each person covered, TRDP will pay up to \$1,000 of allowable charges per enrollee per year. Diagnostic and some preventive procedures are not subject to the annual deductible and maximum. For more information, contact Delta Dental at (888) 838-8737 or visit www.ddpdelta.org.





VA Benefits

TO find the nearest Department of Veterans Affairs Office, call (800) 827-1000 or visit www.va.gov.

Some basic VA entitlements include:

❶ **Disability compensation** — Retiring soldiers should apply to the VA for a disability rating of 0 to 100 percent, which determines the priority for treatment in the VA medical system; establishes a record for future medical evaluations; and, for those with a disability rating of 10 percent or more, could provide tax-free, monetary compensation for medical problems that originated while on active duty.

❷ **Home loans** — VA-guaranteed home loans are available to qualified veterans and surviving spouses to purchase, improve or refinance a house or condominium, and to purchase or refinance a manufactured home. Those eligible must make their own arrangements for loans through such lending channels as banks, savings and loan associations, building and loan associations, and mortgage loan companies. Veterans may negotiate interest rates on VA-guaranteed home loans with lenders.

❸ **Life insurance** — Soldiers on active duty and most Reserve-component soldiers are covered by Servicemember's Group Life Insurance. Soldiers receive 120 days of free SGLI coverage upon retirement, followed by the opportunity to convert from SGLI to Veterans Group Life Insurance in an amount equal to or less than the SGLI coverage they had upon leaving active duty.

Soldiers who are totally disabled for insurance purposes may keep SGLI free for one year after retirement. However, application for the free coverage must be submitted within the first 120 days after retirement.

VGLI premiums increase every five years at renewal and are based on the retiree's nearest age at that time. Coverage under VGLI is guaranteed regardless of a retiree's health situation. VGLI may be canceled at any time, or be converted to a commercial insurance policy for anything other than term insurance without proof of insurability. The VA furnishes a listing of insurance companies that will convert VGLI.

❹ **Medical care** — Funds and facilities permitting, the VA provides no-cost hospital care, outpatient care and pharmacy benefits to former soldiers who receive VA disability compensation; are former prisoners of war; have an illness possibly resulting from exposure to Agent Orange or environmental hazards in the Persian Gulf; or have low incomes under VA criteria. Other retirees may receive treatment as resources and facilities are available, but co-payments will be required. Family members are not entitled to VA health care unless they are veterans.

❺ **Dental care** — Within 90 days of retirement and on a space-available basis, the VA will treat dental conditions documented at the time of retirement. Retirees who receive complete dental treatment from the military in the 90 days before retirement are ineligible. DD Form 214, "Record of Release from Active Duty," indicates soldiers' eligibility.

National Guard/Army Reserve

NATIONAL Guard and Army Reserve members must meet all of the following requirements to be eligible for retired pay:

- Be at least 60 years of age;
- Have performed at least 20 years of qualifying service computed under Section 12732, Title 10, U.S. Code;
- Have performed the last eight years of qualifying service while a member of the Active Reserve;
- Not be entitled to retired pay from an armed force or retainer pay as a member of the Fleet Reserve or the Fleet Marine Corps Reserve; and
- Must apply for retired pay by submitting an application to the branch of service assigned at the time of discharge or transfer to the Retired Reserve. For those serving in the National Guard or Army Reserve, the address is: Commander, AR-PERSCOM, ATTN: ARPC-ALQ, 9700 Page Ave., St. Louis, MO 63132-5200.

Qualifying Year

NATIONAL Guard and Army Reserve soldiers need 20 qualifying years of service to be eligible for retired pay at age 60. A minimum of 50 points must be earned for a qualifying year. Qualifying years and retirement points are outlined in Army Regulation 140-185, "Training and Retirement Point Credits and Unit Level Strength Accounting Records."

The subject of qualifying years is broad and complex. In general terms, a soldier establishes a retirement year ending date by entering the Active Reserve. The date the soldier enters Active Reserve is his or her retirement year beginning date. As long as there is no break in service, the retirement year ending date is one year later. For example, a soldier who joins the Active Reserve on July 2, 1986, would have a reserve year beginning date of July 2, 1986, and an ending date of July 1, 1987.

Soldiers may accumulate a total of 365 points per year (366 in a leap year) from inactive and active-duty service. However, for retired-pay calculation purposes, the following three dates are used in regard to maximum points allowed per year:

- Effective Oct. 31, 2000 — Maximum points allowed is 90.

- Effective Sept. 23, 1996 — Maximum points allowed is 75.
- Before Sept. 23, 1996 — Maximum points allowed is 60.

Soldiers are allowed a maximum of 90 points per year among Inactive Duty Training, extension courses and membership points. Grandfathering or recalculation of retirement pay is not authorized.

20-Year Letter

RECEIPT of a letter with the subject "Notification of Eligibility for Retired Pay at Age 60," commonly known as the "20-year letter," serves as notification that a reserve-component member has completed 20 qualifying years of service.

Members of the Army National Guard receive their letters from the National Guard Bureau.

Army Reserve members, whose creditable service is reflected in the Retirement Points Accounting System, will receive a 20-year letter from the RPAS approximately 45 days after the retirement year ending date that reflects their 20th qualifying year. Soldiers who believe the RPAS is incorrect must submit documentation and have their records screened by the Army Reserve Personnel Command prior to the applicable reserve year ending date before a 20-year letter can be issued.

Individual Ready Reserve soldiers must work with the Regional Support Teams of the Personnel Actions and Services Directorate of AR-PERSCOM to ensure all creditable service is reflected by the RPAS. Troop Program Unit soldiers must work with their unit technicians and chains of command.

Retirement eligibility may not be denied or revoked upon the receipt of a 20-year letter on the basis of an error, miscalculation, misinformation or administrative determination of years of service performed, unless it resulted from fraud or misrepresentation. Administrative errors, such as the awarding of too many points, can be corrected; however, eligibility for retired pay cannot be withdrawn.

Retirement-eligible soldiers will receive retirement packets from AR-PERSCOM around their 58th birthdays with 90 days to return it. Once soldiers return their packets, AR-PERSCOM will certify them for retired pay and notify DFAS-CL to establish their retired pay accounts.

Retirement

Computing Reserve Retired Pay

DEPENDING on the date a soldier initially entered military service, called the DIEMS date (*see Page 5*), the retiree's monthly reserve retired pay will be calculated under the Final Basic Pay or High-Three formula. The first step in determining retired pay is to divide the total number of retirement points by 360. For example, a soldier who has 3,600 points has 10 equivalent years of service.

DIEMS date before Sept. 8, 1980 — Final Basic Pay. Multiply the years of equivalent service by 2.5 percent. Multiply the result by the basic pay in effect on the date retired pay starts.

DIEMS date on or after Sept. 8, 1980 — High-Three. Multiply the years of equivalent service by 2.5 percent. Multiply the result by the average of the highest 36 months of basic pay. The highest 36 months for a member who transfers to the Retired Reserve until age 60 will normally be the 36 months before they turn 60. Members who request a discharge from the Retired Reserve before 60, however, can use only the basic pay for the 36 months prior to discharge.

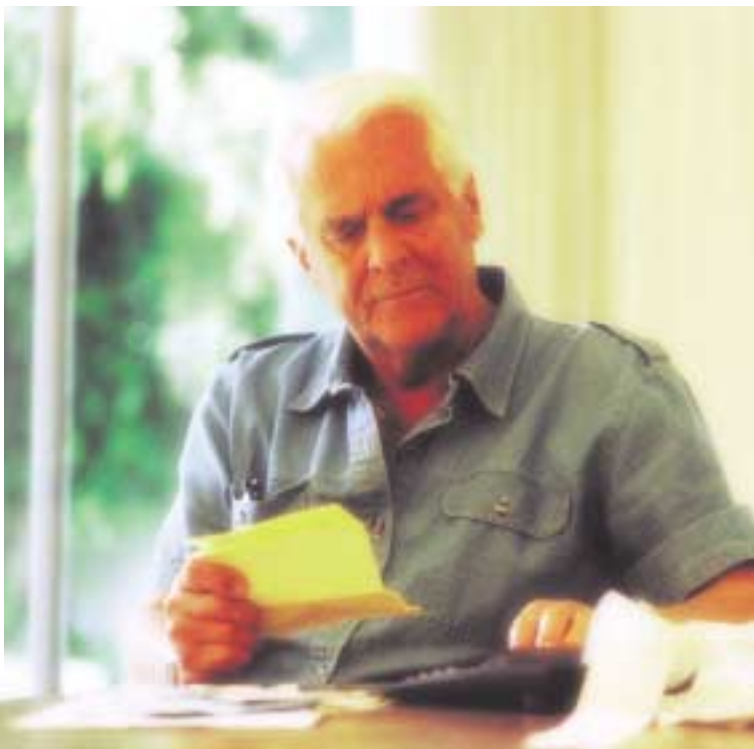
Monthly retired pay is increased annually by a cost-of-living adjustment equal to the annual change in the Consumer Price Index.

Reserve Component Survivor Benefit Plan

INSTRUCTIONS for completing the Reserve Component Survivor Benefit Plan election form, DD Form 1883, accompany the 20-year letter. Within 90 days of receipt, reserve-component soldiers must elect one of the following three options:

- ❖ Option A: The member may defer making an SBP election until the member begins drawing retired pay at age 60. The survivors of any member who elects this option and dies before age 60 will receive nothing upon the member's death. This option requires written spouse concurrence.
- ❖ Option B: A member may elect for the annuity to begin on the member's 60th birthday (if the member dies before 60), or upon death (if the member is 60 or older at death). This option requires written spouse concurrence.
- ❖ Option C: A member may elect for the annuity to begin on the day after the member's death, regardless of age at death. Reserve-component members have the same SBP beneficiary options as soldiers who retire from active duty (*see Pages 8-9*). Any election under this option, other than maximum (e.g., child only), requires written spouse concurrence.


Although RC-SBP coverage is immediately effective upon retirement, members do not begin paying for RC-SBP until they begin drawing retired pay at age 60, at which time they pay a monthly cost for past RC-SBP protection and prospective SBP costs for continuing SBP coverage. Those who enrolled in Option B or C will naturally pay more than those who waited until age 60 to enroll because of the years of coverage that were provided. SBP premiums will be collected from survivor's SBP annuity for members who die before age 60.



The background of the entire page is a close-up, shallow depth-of-field photograph of several coins, likely US quarters, scattered on a blue surface. The coins are out of focus, with some appearing as bright highlights and others as soft, circular shapes. The title 'Thrift Savings Plan' is overlaid on the top left of this image in a large, bold, yellow font with a black outline.

Thrift Savings Plan

THE Thrift Savings Plan is a retirement savings and investment program that offers the same savings and tax benefits that many private corporations offer to employees under 401(k) plans. TSP allows participants to save a portion of their pay in a special retirement account from pretax dollars, reducing their current taxable incomes. The amount a participant saves and all earnings belong to the participant even if the participant does not serve the 20 years typically necessary to receive military retired pay.

A vertical strip on the left side of the page shows a close-up of a stack of coins. The focus is on the top coin, which is a US quarter, showing the 'LIBERTY' and 'IN GOD WE TRUST' inscriptions. The coins below it are blurred.

Uniformed services members became eligible for TSP last year. Members who did not enroll during the special open season will have two open seasons per year to enroll. Open seasons are currently May 15 through July 31 and Nov. 15 through Jan. 31.

In 2002, soldiers may contribute up to 7 percent of monthly basic pay. The limit will increase by 1 percent each year until 2005, when soldiers may save as much as 10 percent of their monthly pay in TSP accounts. Contributing soldiers may also add all or any whole percentage of special or incentive pay. Such contributions must be deducted from pay by the soldier's payroll office.

Tax laws prevent citizens from contributing more than \$11,000 of income to tax-deferred retirement accounts in 2002. This limit will increase by \$1,000 each year until 2006. For specifics about TSP's five investment funds, visit

www.tsp.gov.

Upon retirement from service, soldiers may opt for a single lump-sum payment that may be transferred to an IRA or other eligible retirement plan; request a series of monthly payments based on a dollar amount, a number of months or life expectancy; request a TSP annuity if the account contains at least \$3,500; or leave the money in the TSP account, where it will continue to accrue earnings although no further contributions may be made. Matching contributions and their earnings will be taxable upon withdrawal from TSP.

Soldiers serving in critical military specialties may be eligible for matching contributions by the Army for six-year service commitments.

RESOURCES

Army Retirement Services — Provides a full spectrum of information on retirement benefits, which can be accessed at www.odcsper.army.mil/retire. The website contains current retiree news plus information about retirement options; a preretirement orientation; a personalized retirement calculator; specifics about the Thrift Savings Plan; Survivor Benefit Plan and Former Spouses' Protection Act; a retiree handbook; important addresses and phone numbers; a search link for Retirement Services Offices located worldwide and links to other sites.

Army Retirement Services also publishes **Army Echoes**. This 16-page bulletin provides information to retired soldiers and family members about benefits and developments in the modern Army.

Army Reserve Personnel Command — Provides retirement information to National Guard and Army Reserve members. The website is at www.2xcitizen.usar.army.mil. Customer service may be reached at (800) 318-5298.

DOD Financial Management Regulation, 7000.14-R, Volume 7B, "Military Pay Policies and Procedures" — Outlines retired pay. Accessible at www.dtic.mil/comptroller/fmr/.

Defense Finance and Accounting Service — Processes retiree pay and Survivor Benefit Plan annuities. DFAS also offers the Employee/Member Self Service, through which members may make pay changes via personal computers, touch-tone phones and an interactive voice-response system. Allowable changes may be made to federal withholding status and exemptions, allotments, addresses and electronic fund transfer information. Future phases of E/MSS will allow users to start or stop savings bonds and change state taxes. Details about E/MSS are available at www.dfas.mil. The website also offers an online retired-pay calculator to soldiers with e-mail addresses ending in ".mil."



Army Career and Alumni Program — Helps soldiers and family members transition into civilian life. Offers assistance writing resumes and guidance on preparing for a job interview, as well as individual counseling, job fairs and job listings. ACAP centers are located worldwide at major Army installations. The ACAP website, at www.acap.army.mil, offers a Department of Defense prepreparation guide with helpful resources not commonly found at other retirement websites.

www.va.gov — Outlines benefits offered by the Department of Veterans Affairs, such as home loans and education benefits.

www.tricare.osd.mil — Explains TRICARE benefits, costs and provider information.



Documents to Keep

RETIREMENT is a good time to get personal and family records in order. Original or certified copies of documents are required when filing for various benefits from the Department of Veterans Affairs, the Social Security Administration and other government agencies. Though families often avoid the subject of death, family members and estate executors should know where important documents are stored. Such documents include:

- ⊙ a will;
- ⊙ birth certificates;
- ⊙ marriage certificates and/or divorce decrees;
- ⊙ adoption papers;
- ⊙ DD 214 (Certificate of Discharge from Active Duty);
- ⊙ DD 1383 (Certificate of Discharge from National Guard or Army Reserve duty);
- ⊙ DD 2656 (Survivor Benefit Plan election form);
- ⊙ DD 1883 (RC-SBP election form);
- ⊙ names of banks and credit unions;
- ⊙ account numbers;
- ⊙ insurance policies; and
- ⊙ a list of assets and liabilities.